



Heat Networks Regulation Implementing Consumer Protections Consultation Response from The Heat Network, January 2025

The Heat Network is a peer group of social housing providers who meet to discuss and share good practice about district and communal heating. We bring together our own communal heat experiences and share the lessons we've learnt with colleagues across the sector through our [website](#).

We currently have 40 housing association and local authority members, as well as support from the National Housing Federation (NHF), the Chartered Institute of Housing (CIH), the Local Government Association (LGA) and the National Housing Maintenance Forum (NHMF). Collectively, we directly manage around over 125,000 homes on over 3,000 networks - around 25% of the UK total - and are responsible for many others on third party heat networks (eg ESCOs and s106 schemes). Our response to the consultation questions is below, however our key points are:

- **As housing providers with social objectives, we strongly welcome and support the principles of consumer protection.** As housing providers with social objectives, we strongly welcome and support the principles of consumer protection. However, this must be balanced against the fact that we are not for profit and costs for regulation ultimately fall upon customers. Investment has to be carefully considered and balanced against multiple regulatory demands building safety and damp/mould/condensation. **The introduction of heat network regulation must be realistic in order for us for it to be successful and deliver what is needed - affordable, reliable and low cost heating and hot water.**
- **Social housing is already regulated by the Regulator for Social Housing.** It is critical that the heat network regulations compliment the ways in which we are already evidencing consumer protection and not create unnecessary administrative costs. Existing social housing compliance must be leveraged as where possible: duplicated requirements will result in poor outcomes for the sector and for customers. **Ofgem's approach must be proportionate.**
- **The social housing sector (housing associations and local authorities) manages around two-thirds of all heat networks in the UK.** The sector is having to manage schemes that have been poorly designed, developed and commissioned, and that deliver poor efficiency and reliability. It is critical that the reality of heat networks is taken fully into account as regulation is developed to make sure it works for the end consumer and does not lead to higher costs. **We welcome all opportunities to engage directly with DESNZ and Ofgem to support this.**
- **Awareness of the regulations is still low in the housing sector but those who are engaged are now developing their plans for regulation.** We would strongly support the development of compliance plans for each housing provider. These would give Ofgem the assurance that regulation would be met while reflecting the individual circumstances of each housing provider in terms of their legacy stock, customers and available resources.
- **More needs to be done to reach the 'hard to reach' heat network operators and suppliers in a structured, strategic and meaningful way.** We welcome the guidance that Ofgem will be publishing over the next year to support the regulatory transition. Whilst most housing providers are both willing and able to deliver consumer protection there are significant concerns about the lack of transparency and development of the Heat Network Technical Standards. **What little is known about HNTAS indicates that it will add significant costs, is hugely complex and make heat networks more expensive for customers. This will also undermine the long-term aim of making heat networks a key tool for the delivery of net zero by 2050.**

We would welcome the opportunity to discuss our submission in more detail. Please contact Rachael Mills, The Heat Network Secretariat at rachael.mills@se-2.co.uk for more information.

Scope of the regulation and authorisation regime

1. With reference to the draft authorisation condition on definitions, do you agree or disagree with the definitions for network types (domestic and microbusiness, non-domestic, industrial, self-supply)?

Agree

5. With reference to the draft authorisation condition on definitions, do you agree or disagree with the definition for bulk supply?

Agree. We believe that Ofgem should fully comprehend the diverse heat network management arrangements that housing associations have, with the new regulations clearly delineating responsibility in each scenario. The bulk supply definition does not consider Managing Agent supply, where housing associations operate heat network under Section 106 (s106) arrangements. Under s106 arrangements, housing associations only serve as intermediaries between the respective supplier and end consumer, with their role confined to metering and billing. The revenue collected is on behalf of the Managing Agent and the Superior Landlord. Housing associations have frequently encountered difficulties to fully engage with Managing Agents under the current regulations and are likely to encounter greater challenges under the expanded legal framework. We would value further guidance on bulk supply in s106 arrangements.

6. Do you agree or disagree with our proposals to apply some consumer protection measures to bulk supply activity? Please provide evidence and reasons for your response.

We are concerned that applying only some Consumer Protections to bulk supply activity is likely to have significant unintended consequences.

Housing associations as intermediaries are unlikely to fulfil their obligations under Consumer Protections, if bulk suppliers are not subjected to an equivalent obligation in relation to the intermediaries. Many housing associations report that bulk supply arrangements largely rely on lease arrangements which lack the detail and scope for the protections that the regulations seek to implement. A lack of billing transparency in these arrangements would make it challenging to pass the charges on to customers. With regards to the ban on disconnection for vulnerable residents in arrears, if the obligations are not similarly levied on bulk suppliers, housing associations as intermediaries may be expected to subsidise the deficit. As many social housing residents may be categorised as vulnerable, housing associations could face a potentially large deficit. One member has also reported that they often do not have supply agreements with a Managing Agents for the supply of bulk heat and this results in lack of clarity around charges and ownership.

If bulk suppliers are excluded from the full scope of consumer protection measures, housing associations may withdraw as Heat Network Suppliers to avoid incurring deficit. An Energy Service Company (ESCo) would instead be chosen as the operator. ESCo's will likely only take on Communal Heating Schemes at higher tariffs to ensure a viable return on their investments, resulting in higher costs to social housing residents. This would also amount to an effective commercialisation of the sector, creating a barrier of entry for any non-traditional players.

Supply to premises

9. Do you agree or disagree with the proposed approach to 'supply to premises' conditions?

We partially agree with the proposed approach but have further questions around 'deemed supply' and the ability of end-customers to reject or terminate their supply: customers 'opting out' of supply would cause significant issues for the efficiency and management of the heat network. It also causes potential problems where the heat network operator and supplier are different entities: for example, a heat network operator could be required to provide heat without the protections in place from a heat supply agreement.

Standards of Conduct

10. Do you agree or disagree with our proposed approach to the Standards of Conduct?

We broadly agree with the proposed approach to the Standards of Conduct but would appreciate greater detail on the circumstances that would constitute consumers being “placed at a disadvantage in any commercial arrangement” in relation to provision of information.

11. Do you currently engage with your consumers on a regular basis?

Housing associations and local authorities are committed to engaging with their residents. As community organisations, they are able to work with a diverse set of residents, including those from underserved groups, and ensure that their views and needs are accounted for in the delivery of safe homes and services. Resident engagement takes many forms, including tenant-led scrutiny panels, the integration of residents into governance structures, as well as day-to-day interactions, such as those between residents and housing staff.

The Regulator of Social Housing introduced new consumer standards in April 2024. Under these standards, especially the [Transparency, Influence, and Accountability Standard](#), social landlords must take the views of their residents into account in their decision-making about how their services are delivered.

TPAS’s [tenant engagement standards](#) represent good practice in resident and consumer engagement, and TPAS’s principles and framework are used by many social landlords. The establishment of high-level principles, with accompanying guidance for engaging residents in heat networks’ decision making, would be welcome, and would allow social landlords to adapt existing methods of engagement as they see fit.

12. If yes, could you provide examples of how you currently engage your consumers, both on the maintenance of the network and more broadly?

Housing sector bodies have published several examples of how social landlords currently engage with their residents and consumers.

- CIH’s [case studies](#) of how social housing providers engage with residents on the design and delivery of repairs and maintenance services.
- The Northern Housing Consortium has developed a [toolkit](#) to support housing providers in engaging with residents on heating and energy efficiency.
- The Local Government Association has also [published evidence](#) on how local authorities engage with social housing residents.

While many of these examples do not specifically involve heat networks, they indicate the kind of engagement activities that social landlords use to engage with their residents on all aspects of their service delivery. One of our members gave the following list by way of example:

We engage with our residents in a number of ways, on a regular basis. These are:

- Regular transactional surveys (e.g. repairs and maintenance)
- TSM survey every 2 years
- Quarterly service contracts meetings, where residents are in the majority
- Quarterly Housing Operations Committee (subcommittee of our Board) meetings where residents are in the majority; covers all operational issues
- Quarterly Residents’ Charter group meetings, where residents are in the majority; reviews operational issues
- Monthly scheme meetings - covers all issues
- Quarterly estate inspections
- Ad hoc focus group meetings
- Ad hoc surveys to gauge opinions

Another member added the following with specific regard to heat networks: “We provide letters to customers notifying them of tariff changes and planned maintenance or major works programmes. We hold drop-in sessions at some large estates when considered useful, e.g. where major work is happening or following a tariff change. We provide fact sheets when residents first move in. We do not carry out any surveying to receive feedback on the heat service.”

Security of Supply

13. Do you agree or disagree with our approach to a principle on the security of supply?

Agree

Fair pricing

14. Do you have any views on the high-level fair pricing framework discussed in the Fair Pricing section and in Annex 3 of this document?

We agree in principle with the high-level fair pricing principles outlined in Annex 3 but are keen to understand more details through the subsequent consultation. For example:

- We have some reservations about the link between the principles and the desired customer outcomes. We agree with ‘affordability’ as a key plank of the framework, but this does not correspond to the outcome that customers ‘pay reasonable and fair price’. A price that is fair and reasonable may not necessarily be affordable for households in or at-risk of fuel poverty, or who have additional health-related needs for heat, such as households with terminal illnesses or young children in the home. DESNZ and Ofgem need to give more consideration to how existing fuel poverty support schemes can better support heat network customers.
- More Another area that needs deeper understanding is the extent to which fuel costs can be managed. S20 leaseholder consultations can limit competitive fuel procurement for our members: these costs should not be compared to other parties who do not have these restrictions and have the ability to potentially procure more competitive prices. There should not be restrictions on pass through if procurement is carried out effectively and compliantly.
- Further guidance is needed on how “cost efficiencies” will be determined. While we are not opposed to improving the efficiencies of existing heat networks, investing in such improvements would divert resources from other urgent priorities, including cladding remediation and stock conditions. And as social rents are set by the government, there are limits on what can be recovered from residents through bundled pricing. We would appreciate greater details on how capital expenditure costs for improvement works will be funded.
- Clarity is needed on the proposal to restrict cost pass through when the supplier has demonstrated that the contract was procured appropriately. We consider cost efficiencies to fall under the responsibility of suppliers, while operators are responsible for technical efficiencies: these roles/responsibilities need careful definition, especially where they are carried out by two different entities.

Whatever the eventual fair pricing framework, close monitoring and oversight will be required by Ofgem to ensure that it is being adhered to. There is a risk that if this is developed poorly that heat networks will not be viable and will have to be replaced with alternatives such as direct electric heating.

Vulnerability: Definition & overall approach

16. Do you agree or disagree with our proposed overall approach to vulnerability, adopting the existing Ofgem definition for gas and electricity consumers but combining this with targeted protections for heat network consumers, where needed, through the authorisation conditions?

THN members’ top priority is to ensure that residents with diverse needs and vulnerabilities are identified and are appropriately supported. We encourage the regulator to adopt the prevailing definitions and assessment criteria used by the social housing sector for vulnerability. Our members have specific protocols to record and make reasonable adjustments for vulnerable residents. The regulator should be made aware that, under the proposed approach, most of our residents would be classified as vulnerable. To avoid us having to operate under two vulnerability regimes, we recommend that the existing definitions of vulnerability in the Social Housing sector be adopted.

Vulnerability: Disconnection for non-payment of energy costs

17. Do you agree or disagree with our proposed protections from disconnection? Please give reasons or supporting evidence for your answer, and clearly outline any alternative proposal.

We mostly agree. Social housing providers avoid disconnecting their customers wherever possible and will try to support residents to maximise their income through claiming entitlement to benefits and dealing with problematic debt. Where the costs of the heating are recovered through a service charge debt can be picked up through arrears management systems and a debt recovery plan can be agreed alongside a more holistic look at the resident's income and outgoings.

However, further thought needs to be given to the categories of vulnerable customers who should never be disconnected. For example, research from Marie Curie has [repeatedly shown](#) that terminally ill people require heat all-year round to live a comfortable and dignified life. We recommend Ofgem further investigate and considers the impact of moving vulnerable groups currently deemed 'disconnectable' outside of winter - namely, a person who is under the age of 2 or is over the age of 75, disabled, terminally ill or chronically sick - into the group that is not able to be disconnected from supply 'at any time'.

One of our members told us "Our residents would never be disconnected due to no-payment, as the heating charge forms part of the gross rent and service charge. Enforcement of the tenancy conditions due to non-payment is subject to a court order. Possession action is a final resort."

18. Do you agree or disagree with our proposal to align with gas and electricity PPM protection rules?

We agree that PPMs should not be involuntarily installed in these circumstances. However, we want to make it clear that pay-as-you-go meters are used in a different way in the heat network sector to how PPMs are used in the gas/electricity markets. Many social housing providers actively choose to provide them to their customers as part of their strategic portfolio management (it helps to manage the debt that is ultimately met by other customers in their charges) and there is no difference in cost to end-customers, be that to service them (standing charge) or the tariff (unit rate).

This approach is also in the context of much wider support for customers with the provision of friendly and emergency credit, and in many cases money and welfare advice. It is important that Ofgem does not frame the use of PAYG from their experience of regulating for-profit energy companies and instead develops heat network policy in the context of not-for-profit heat networks. The social sector works on the basis of avoiding debt through active support and management as debt has long term impacts for all customers but especially those considered to be vulnerable. PAYG is a key part of this.

We also have some concerns regarding capacity to complete vulnerability assessments, as raised in the consultation. While we understand they've been introduced to help sustainable debt management, in practice the cost of carrying out the assessments will outweigh the benefits of installing a PPM in these circumstances and they'll become de facto 'do not install'.

We also require further clarification on whether vulnerability assessments would be required for the identified groups if the meter was to be switched remotely from credit to pay-as-you-go billing.

19. Do you think it is appropriate to go further than gas and electricity PPM protections? If you have an alternative approach, please set this out, including how this would impact on debt management and the recovery of costs.

We do not think it is appropriate to go further than gas and electricity PPM protections.

Ofgem has undertaken rigorous engagement with energy retail suppliers to ensure they have appropriate procedures and policies in place to accurately follow the rules around involuntary PPM installation. This has led to most, [but not all](#), suppliers being given authorisation to restart the involuntary installation of prepayment meters. As we note in our response to Q18, there are concerns around the delivery of vulnerability assessments, and if vulnerability assessments are

not carried out properly, this could lead to a repeat of the prepayment meter scandal in the heat network sector. Given the importance of heat networks for our net zero targets, this is a scenario that we cannot afford.

Ofgem must also work with charities and consumer groups to closely monitor how disconnection is being practiced in the heat network sector and how it is impacting consumers, and be prepared to intervene if poor practice and/or significant harms to consumers are evidenced.

20. [Do you agree or disagree with our proposal to explore options to mitigate the impact of unrecoverable debt arising from prohibitions on disconnecting consumers, or installing pre-payment meters, for protected consumers? If yes, please provide any views you may have on approaches for doing so.](#)

We welcome the discussion on how to mitigate unrecoverable debt, especially for small and not-for-profit heat network operators, and where customers in vulnerable circumstances make up a larger proportion of the customer base. For many supported housing schemes it will be 100% of customers and these proposals should be developed in consultation with these specialist organisations.

Also, if the policy intention is for consumers to pay unrecoverable debt spread across market, leases are likely to restrict this. Leases often refer to charges being in relation to the estate only, and therefore charging debt from other estates and organisations would likely contravene with the lease.

Care should also be taken on how these costs are socialised, given that the entire heat network market is still relatively small. Heat networks with low debts - or with good debt management processes - would end up subsidising others: is this fair for customers?

Vulnerability: Self-disconnection and self-rationing

21. [Do you agree or disagree with our self-disconnection proposals?](#)

We mostly agree with the proposals. Reporting on self-disconnection will be a new area for many of our members but we acknowledge that it should lead to better customer outcomes in the medium-long term.

The prevalence of self-disconnection and self-rationing are dependent on wider factors, especially the energy efficiency of the home, the household income, and heat price provided by the heat network (which itself is dependent on efficiencies and other factors). We therefore need to see more consideration given to how low-income and vulnerable heat network consumers will be supported through fuel poverty and energy efficiency policy, such as the Warm Home Discount.

The consultation also proposes “that if a consumer informs a heat network that they are self-disconnecting or self-rationing, the heat network should consider reassessing or reducing the consumer’s debt repayment plan and/or referring the consumer to third party debt advisors.” We have concerns that if customers are self-defining themselves as self-disconnecting/self-rationing and thereby accessing ‘reduced debt repayment plans’, this could escalate quickly (especially where we have high numbers of vulnerable customers) and put heat network viability into question.

22. [Can you provide any evidence of the impacts these proposals could have on suppliers, particularly smaller suppliers?](#)

We don’t have evidence but members have feedback that:

- Additional resource will be required for continuous monitoring of self-disconnection, which may result in additional costs if outsourced to contractor.
- Unrecoverable debt levels are likely to increase, impacting especially not-for-profit heat network ability to operate (who are likely to have higher levels of self-disconnection).

Vulnerability: Powers of entry

23. Do you agree or disagree with the proposed protections that will be included in the Statutory Instrument that provides for Powers of Entry?

We agree with these proposals. It also helps to raise the question of access to fit meters in other circumstances, for example as part of a planned meter retrofit programme. Members have examples of where access has been denied over the long term, they have no powers of entry and therefore become non-compliant with the meter installation regulations. Further consultation on this would be welcomed.

Quality of Service: Complaints

25. Do you agree or disagree with our proposed approach to complaint handling?

We agree with the principles set out and the aim to give consumers an effective system to raise complaints and seek redress. We also welcome the commitment to work with the Regulator of Social Housing and the social housing sector to try and craft a system that minimises overlapping regulation.

The Housing Ombudsman's statutory complaints handling code must be followed by law by social landlords, and it includes the specific responsibilities and processes landlords must follow when dealing with complaints. This process is rigorous, and it would be unnecessary for it to be duplicated in heat network policy. Duplication of regulation with different reporting and auditing requirements imposes an additional administrative cost on providers that within a not-for-profit system operated by a not-for-profit provider will have to be passed onto consumers or paid for by making savings elsewhere.

While we appreciate DESNZ's reassurances that they do not want to duplicate efforts, integrating the heat network requirements into existing systems is easier said than done. For example:

- Complaints when they come in are often complex: heat network complaints would need triaging from other (eg housing) complaints which would require training of the frontline staff.
- Similarly, our digital systems would require upgrading to enable heat network customers and their routes to redress to be flagged.
- There is a mismatch between the escalation timescales between the Energy Ombudsman (8 weeks) and the Housing Ombudsman (12 weeks) which would lead to a twin-track approach. We understand there is also a financial implication of Energy Ombudsman involvement. We note the recent [Memorandum of Understanding](#) signed by the Housing Ombudsman and the Local Government and Social Care Ombudsman, and suggest that a good first step would be the establishment of a similar understanding between the Energy Ombudsman and Housing Ombudsman on how they will work together in the heat network market.
- Heat network consumers may also not be clear on who to complain to, and it would be a poor outcome for consumers if complaints were passed between each Ombudsman, causing delays to redress.

We'd welcome the opportunity to discuss these details further with DESNZ and Ofgem.

Quality of Service: Guaranteed standards of performance

26. Do you agree or disagree with our proposed compensation levels that broadly align with existing practice in the sector (Heat Trust levels)?

This is a difficult question for us to answer as it has been proposed that not-for-profit heat networks - such as those run by our members - would be outside of the GSoP proposals and instead be subject to Overall Standards of Performance (see Q29).

If we were to be inside the GSOP these compensation levels would be difficult to meet, with costs ultimately passed through to customers. In particular:

- Heat Trust heat networks are newer schemes with fewer issues. It is therefore less likely that compensation is paid out compared to older schemes which are more likely to be in our portfolio.

- We would want to see a cap on compensation payments for planned outages.

27. We welcome feedback from those that place Guaranteed Standards on external contractors through contract, on the requirement to take best endeavours to update existing contracts to align with our standards and compensation levels or provide feedback on what would be an appropriate transitional period to update contracts.

Changes may need to align with re-procurement as amending GSOP in contracts will likely result in changes to the price of the service which may contravene procurement rules and therefore will need re-procurement.

One of our members told us: “Our approach would be to try to negotiate with our contractors’ additional work / changes to their contract. The easiest option is to include suitable terms / wording when contracts are reviewed and / or re-tendered.”

Amongst our members Operation & Maintenance contracts vary between 5 and 10 years.

29. Do you agree or disagree with our proposed approach to apply Overall Standards of Performance to heat networks operating on a not-for-profit business model?

This has been one of the proposals of biggest debate. On the one hand, we welcome the fact that DESNZ and Ofgem have recognised the difficulties that not-for-profit heat networks would find in paying compensation. On the other hand, for example:

- We already pay compensation in other areas (eg on repairs & maintenance) with the money taken from our main (housing) funding.
- Overall Standards of Performance could mean that some customers are compensated for heating outages (eg from their gas or electricity company) but heat network customers are not.

The case has also been made that improvement plans should be introduced as part of GSOP as well, otherwise there is a risk - especially if costs are passed through to customers (in the for-profit sector) - that there will be no incentive for heat network operators/suppliers to make any changes. In either case, we also need to better understand how improvement plans would co-exist with the HNTAS improvement plans.

Billing and Transparency

30. Do you agree or disagree with the proposals for including additional information on consumer bills? If you agree, what timescales could you reasonably implement these changes?

We agree with some of the additional information being added to bills, namely:

- Information on energy saving for consumers on bills;
- Contact information on the availability of consumer advocacy from Citizens Advice or Consumer Scotland;
- Information on support mechanisms offered by supplier and fuel poverty charities; and,
- Information on support mechanisms offered by Energy and Housing Ombudsman.

This information could be introduced fairly swiftly, and certainly within a 12-month period.

Although we recognise ‘knowledge is power’, we question how useful some of the other information will be to customers / how much notice they will take:

- Information on how heat networks contribute to net-zero targets;
- Information on how heat networks operate, with information on monopoly supply;
- Fuel type/source for the network and the environmental impacts of heat generation
- Carbon emissions and heat network efficiency rating

These last two points (which seem to be more optional) would be difficult for many in the sector to provide, at least at the beginning of their regulation journey.

Unbundling heat charges

31. Do you agree or disagree that we should further explore the proposal on unbundling heat from other service charges, noting this may require legislative change to be implemented?

We agree that this should be explored further. However, our current view is that the process of unbundling heat network charges would be very complicated and burdensome: it appears to be a sledgehammer to crack a nut.

There are already requirements for transparency and reasonableness of service charges: provisions of the Commonhold and Leasehold Reform Act 2002 set out the obligations on landlords to provide information, breakdown charges and the right of tenants and leaseholders to challenge charges at the First Tier Tribunal. MoJ data on [landlord possessions in England and Wales](#) also shows that repossessions for all reasons by social landlords in the 12 months to March 2024 were less than half of those pre-pandemic.

Given the existing protections, the burden and complexity of unbundling charges may outweigh the value for social housing residents. Changing tenancy agreements needs the agreement of both parties which can be time consuming to organise and some people may not agree. For any landlord this would be a huge and complex undertaking, and for social landlords with 1,000s of heat network customers it would be a very costly exercise.

There is also a risk that if heat charges are unbundled, residents may choose not pay the unbundled costs if they want to disconnect from the heat network. This effective self-disconnection would increase heat network costs for other customers.

32. Do you have any views on options 1, 2 and 3?

On the whole, we are in support of option 3 - the mid-way option where heat charges remain in service charges (where there is no individual meters) but more information is provided to customers. This could be accompanied by strong guidance to the courts to disallow eviction for non-payment of heat charges except for in extremis.

The point has been raised by members that some sort of final backstop for non-payment of service charges is required, whether that includes heat or not. Without the risk of eviction as a last resort, customers may allow debts to run up (whether because of circumstances beyond their control or through an active choice). We would be interested to see and discuss Ofgem's research into how often evictions for non-payment of heat charges actually occur.

There is also a risk that if heat charges are unbundled, homeowners/leaseholders may not pay the unbundled costs, particularly if they want to disconnect from the heat network which is sometimes the case. This effective self-disconnection would increase heat network costs for future customers.

33. If we were able to unbundle the heat charge for individual properties, do you agree or disagree with our proposals on limiting back-billing to 12 months?

There is support for back-billing to be limited to 12 months where individual meters are in place. Where heat in service charges remain, an exception for 18 month 'back-bills' should be written into the regulations (although the point has been made that this isn't actually a 'back bill' but a reconciliation).

34. Can you provide evidence of any potential impacts of limiting back-billing to 12 months for individual properties? Do you have any concerns regarding communal areas?

Communal heat charges would remain 'bundled' which could also cause confusion for customers (unbundling communal charges would mean they would no longer be covered by state benefits).

35. Do you agree or disagree that we should seek to align with HNTAS technical standards/metering rules to give networks adequate time to meet regulatory requirements?

We cannot provide a view on this without understanding the final content of HNTAS proposals.

Heat supply contracts

36. Do you foresee any potential challenges of creating new contracts or amending existing ones to ensure the information proposed is included?

There are multiple challenges with this proposal:

- All the information proposed would be too much to add into a tenancy or lease agreement
- If the heat supply agreement was separate, a change would still be required to the tenancy or lease to reference it.
- The introduction of heat supply agreements is an important part of heat network management and regulation but will take time and resource. It needs to be done thoroughly and with due consideration to ensure it is done effectively and meets the needs of customers.

Changing lease or tenancy agreements for existing assured tenants requires the agreement of both parties. This can be difficult and time consuming to achieve as it is sometimes hard for residents to see the value of what may feel a rather technical change. For larger landlords it would be a costly resource intensive process.

37. What timeframe should we allow heat networks to implement this?

Introducing heat supply agreements and/or changing tenancies and leases are both significant undertakings. Rather than set a universal deadline for all heat network suppliers to meet, we advocate instead for social housing providers to be able to submit their own compliance plan to Ofgem, signed off by Board and with a Director to sponsor, which outlines their pathway and milestones. This would enable housing associations to take a more strategic approach, balance their other priorities and avoid inflated costs that could arise if timings (and the supply chain) are squeezed. These compliance plans would cover both the consumer protection and technical requirements of the regulations.

Step in

38. Do you agree or disagree that the risks associated with failure in social housing and local authority operated heat networks can be managed within existing regulatory arrangements? If you disagree, please explain why.

Agree. Social housing providers are already tightly regulated to ensure they have robust financial and governance arrangements, and we therefore consider risks can be managed within this framework.

39. Are there additional sectors, other than social housing, where you consider the risks are managed due to factors not identified here? If yes, please provide details.

Consideration should also be given to very small heat network operators or those with a 1-scheme portfolio.

45. Where a heat network has a separate supplier and operator, do you agree or disagree that the supplier's contractual arrangement should be with the heat network operator?

Agree

52. Do you have any comments on the feasibility of the proposed funding mechanisms?

Our concern is that this all adds to the cost of heat networks for customers, some of whom will be low income and/or in other in vulnerable circumstances. There should be greater scrutiny and transparency on the costs of implementing the proposed regulations so that costs can be minimised.

Market segmentation

53. Do you agree or disagree with the proposed approach to Market Segmentation, including the characteristics we have identified to inform our proposals?

We agree with this approach but require further information on the definitions of large, small and not-for-profit. Any segmentation approach needs to work effectively for consumers and organisations.

For housing associations, market segmentation should be further refined and the definitions of a small organisation should mirror that used by the Regulator of Social Housing. In the social housing sector, providers with less than 1000 homes are generally classified as small, and are subject to different regulatory arrangements that are more proportionate to their size. They are also exempt from some audit requirements, and one provider we have engaged with has suggested this approach should be mirrored in the heat network sector.

Further consideration should also be given to other very small landlords with one of two networks, and to supported and older persons housing.

54. Do you agree or disagree with the proposal to develop and implement a minimum standard for regulated providers across some services over time?

We agree in principle but require further details: there may be a need for some (temporary/permanent) exclusions.

55. Which services would you find appropriate to be regulated by a minimum standard?

We think it would be appropriate for many of the consumer protection requirements to be regulated by a minimum standard. The key will be having enough time to implement everything (see our response to Q37 on individual compliance plans).